

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC IMMEDIATE 5003

INFO DIA WASHDC

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C O N F I D E N T I A L ROME 0208

EO 11652: GDS

TAGS: PINT, IT

SUBJ: SOCIALISTS WITHDRAW FROM GOVERNMENT MAJORITY:

WHAT COMES NEXT?

REF: ROME 0176

1. SOCIALIST (PSI) DIRECTORATE MEETING TODAY (REFTEL)
UNANIMOUSLY APPROVED DECISION TO WITHDRAW FROM GOVERNMENT'S
MAJORITY. ANNOUNCEMENT THAT COUNCIL OF MINISTERS MEETING
HAS BEEN CALLED FOR 1830 LOCAL TIME TENDS TO CONFIRM SPECU-
LATION THAT PM MORO MAY OFFER RESIGNATION THIS EVENING,
OR, AT THE LATEST, WITHIN A DAY OR TWO.

2. THERE IS ONE IMPORTANT ELEMENT OF UNCERTAINTY FOR
PREDICTING HOW THE CRISIS WILL UNFOLD: THE ATTITUDE OF
PRESIDENT LEONE. HE MAY INSIST ON A PARLIAMENTARY DEBATE
AND VOTE OF NON-CONFIDENCE (AS THE CONSTITUTION PRESCRIBES,
BUT PAST DC PRACTICE HAS AVOIDED) BEFORE ACCEPTING MORO'S
RESIGNATION.

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3. THOSE WHO WANT TO AVOID EARLY ELECTIONS AT ALL COST

BY AVOIDING A "CRISIS IN THE DARK" ARE LIKELY TO URGE THIS COURSE ON THE PRESIDENT. A PARLIAMENTARY DEBATE WOULD BUY TIME, BUT IT ALSO RISKS AGGRAVATING TENSIONS BETWEEN THE PSI AND OTHER PARTIES. MORO, WHOSE ATTITUDE TOWARD THIS EXPEDIENT IS CRUCIAL, HAS REMAINED SILENT SINCE DEMARTINO'S PRONOUNCEMENT.

4. SPECULATION ON POSSIBLE SCENARIOS FOLLOWING CRISIS-- HAVING ALREADY JUDGED CRISIS INEVITABLE, MEDIA AND EMBASSY SOURCES ARE ALREADY SPECULATING ON POSSIBLE SCENARIOS FOLLOWING RESIGNATION OF MORE GOVERNMENT. TRIAD OF OF POSSIBILITIES GIVEN EMBOFF BY TOP PARLIAMENTARY SOURCE SEEM MOST PLAUSIBLE AT THIS POINT, ALTHOUGH AS NOTED BY SOURCE, IN ITALIAN POLITICS, SOLUTIONS RARELY CORRESPOND TO "NORTHERN LOGIC."

(A) EMERGENCY GOVERNMENT WITH COMMUNIST SUPPORT-- EMPHASIZING THAT THEY ARE NOT SEEKING EARLY ELECTIONS, SOCIALISTS HAVE INDICATED "EMERGENCY GOVERNMENT" INCLUDING COMMUNIST SUPPORT AS ALTERNATIVE WHICH COULD AVOID DISSOLUTION OF PARLIAMENT. EMERGENCY GOVERNMENT, ACCORDING TO PSI SPOKESMEN LIKE GIOLITTI, WOULD INCLUDE ALL FORCES OF SO-CALLED "CONSTITUTIONAL ARC" - FROM THE COMMUNISTS TO THE LIBERALS. A NUMBER OF CHRISTIAN DEMOCRATIC PARTY LEADERS FROM LEFT TO RIGHT HAVE ALREADY SPOKEN OUT FIRMLY EXCLUDING POSSIBILITY THAT DC COULD ACCEPT FORMAL PCI ROLE IN GOVERNING MAJORITY. LIBERAL PARTY, ALTHOUGH IT HAS ALSO CALLED FOR "EMERGENCY GOVERNMENT," WOULD BE HIGHLY UNLIKELY TO ACCEPT NEW ACCORD WITH PCI. AND SUCH A GOVERNMENT WOULD REPRESENT SUCH A WIDE DIVERSITY OF VIEWS THAT ANY COHERENT PROGRAM WOULD BE IMPOSSIBLE. FOR THESE REASONS MOST OBSERVERS AT THIS EARLY STAGE, TEND TO THINK EMERGENCY GOVERNMENT WITH PCI SUPPORT IS LEAST LIKELY SCENARIO.

(B) DC-SOCIALIST ACCORD--THIS SCENARIO INVOLVES ASSUMPTION THAT PSI IS MORE CONCERNED WITH ENDING ITS OWN ISOLATION AND BREAKING UP DC-PCI "UNDER-THE-TABLE" COZINESS IN PARLIAMENT THAN IN BRINGING PCI INTO GOVERNING MAJORITY. IT ALSO ASSUMES THAT PSI IS ANXIOUS TO AVOID EARLY ELECTIONS WHICH WOULD KILL CHANCES OF HOLDING POPULAR REFERENDUM

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ON ABORTION WHICH IS DEAR TO PSI HEARTS. ON THIS BASIS, PSI MIGHT CONCEIVABLY BE WILLING TO FORM A GOVERNMENT WITH THE DC IF IT COULD GAIN ONE OR MORE OF PRINCIPAL NON-ECONOMIC MINISTRIES (E.G., DEFENSE, INTERIOR OR FOREIGN AFFAIRS) PLUS A COUPLE OF KEY ECONOMIC POSTS LIKE TREASURY, BUDGET, FINANCE. ADDITIONAL COMPONENT OF DEAL WOULD BE REWORKING OF GOVERNMENT ECONOMIC POLICIES, ESPECIALLY INDUSTRIAL RECONVERSION AND SOUTHERN DEVELOPMENT BILLS,

TO CONFORM TO PSI DESIRES AND GIVE PSI HAND IN ADMINISTERING
HUGE AMOUNTS OF MONEY INVOLVED (CA. DOLS 34 BILLION).
WHILE SUCH AN ACCORD IS A POSSIBILITY, IT WOULD INVOLVE
SUCH HEAVY DC SACRIFICES IN ORDER TO AVOID EARLY ELEC-
TIONS THAT DC MAY WELL NOT CONSIDER IT WORTH THE
CANDLE. IN ADDITION, PSI LEADERSHIP, HAVING MADE
"ASSOCIATION" OF COMMUNISTS TO GOVERNING MAJORITY ITS
KEY DEMAND, WOULD RISK BREAK IN HARD-WON PARY UNITY IF
IT ATTEMPTED TO DROP THIS CONDITION FOR A RETURN TO
GOVERNMENT WITH THE DC.

(C) EARLY ELECTIONS--IN EVENT NO ALTERNATIVE ACCORD
CAN BE WORKED OUT WITH PSI, MANY OBSERVERS SEE THREAT OF
DISSOLUTION OF PARLIAMENT AND RE COURSE TO EARLY PARLIA-
MENTARY ELECTIONS AS MOST LIKELY SCENARIO. SHOULD EVENTS
MOVE IN THIS DIRECTION, DC THOUGHT LIKELY TO TRY FOR
SINGLE PARTY DC CARETAKER GOVERNMENT UNTIL ELECTIONS.

5. FLUID SITUATION--PRESENT CRISIS WILL BE PARTICULARLY
DIFFICULT TO RESOLVE BECAUSE IT REFLECTS POLITICAL
IMBALANCE BETWEEN SITUATION AT NATIONAL AND LOCAL GOVERNMENT
LEVELS RESULTING FROM JUNE 15 PCI LOCAL ELECTION
GAINS. SOCIALISTS IN ESSENCE ARE DEMANDING SAME SORT OF
"OPENING" TO PCI AT NATIONAL LEVEL THAT NOW EXISTS IN MANY
LOCAL GOVERNMENTS. WHILE COMPROMISE ACCORD (NOT INVOLVING
PCI ENTRY INTO MAJORITY) WITH THE DC TO ALLOW PRESENT
PARLIAMENT TO RUN ITS NATURAL COURSE, MAY PROVE POSSIBLE,
NUMEROUS AND DIFFICULT ISSUES DIVIDING THE PARTIES WILL MAKE
IT HARD TO ACHIEVE. SINCE DC ACCEPTANCE OF "EMERGENCY GOVERNMENT"
INVOLVING PCI IS EVEN LESS LIKELY, LOGIC OF SITUATION SUGGESTS
THAT EARLY ELECTIONS MOST LIKELY OUTCOME. HOWEVER, ALL MAJOR
POLITICAL PARTIES ARE CURRENTLY OPPOSED TO EARLY ELECTIONS AND
PRESIDENT LEONE IS KNOWN ANXIOUS TO AVOID THEM. FOR THIS REASON,
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AND BECAUSE ITALIAN POLITICS OFTEN PRODUCE THE UNEXPECTED, IT IS
TO EARLY TO MAKE VALID PREDICTIONS ON CRISIS OUTCOME. VOLPE

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